



**Fetakgomo Tubatse Local Municipality  
(Registration number LIM476)  
Unaudited Annual Financial Statements  
For the year ended June 30, 2019  
Auditor General South Africa**

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **General Information**

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<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	Local Municipality
<b>Nature of business and principal activities</b>	Municipality
<b>Councillors list</b>	<b>MAYORAL COMMITTEE</b>
The Mayor	Cllr Phala TN
The Chief Whip	Cllr Shoba MV
	<b>MEMBERS OF EXCO</b>
	Cllr Maila EE-Head of Infrastructure Development & Technical Services
	Cllr Mamogale MI-Head of Budget & Treasury (fulltime)
	Cllr Photwane MB-Head of Corporate Services (full time)
	Cllr Moeng QM-Head of Development & Planning (part time)
	Cllr Mashego RM-Head of Community Services (part time)
	Cllr Hlatswayo BE-Head of Local Economic Development & Tourism (part time)
	Cllr Kgwedi JL-Deputy Head Infrastructure development & Technical Services (part time)
	Cllr Mogofe A-Deputy Head of Corporate Services (part time)
	Cllr Kupa RB-Deputy Head of Budget & Treasury (part time)
	<b>OTHER COUNCILLORS</b>
	Cllr Mogoane MK
	Cllr Leshabane MG
	Cllr Mphethi ND
	Cllr Maphanga TP
	Cllr Mojalefa LH
	Cllr Makhubedu NR
	Cllr Rantho LJ
	Cllr Molapo NT
	Cllr Ratsoma MJ
	Cllr Diphofa DK
	Cllr Phaladi RC
	Cllr Gumede RT
	Cllr Magabe MD
	Cllr Mabelane MM
	Cllr Makine MP
	Cllr Radingwana MR
	Cllr Maupa TT
	Cllr Kgaphola MA
	Cllr Khoza MR
	Cllr Malakane OA
	Cllr Mahlaba LM
	Cllr Magane MT
	Cllr Mahlake TV
	Cllr Moshwane XE
	Cllr Mphethi MM
	Cllr Malomane KH
	Cllr Lekwadi MI
	Cllr Mokgotho LL

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **General Information**

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Cllr Mamogale MF  
Cllr Malatji ML  
Cllr Maphakge MA  
Cllr Mosoma SE  
Cllr Makua LC  
Cllr Mariri ML  
Cllr Thobejane ML  
Cllr Mohlala SG  
Cllr Maisela RP  
Cllr Moifo KH  
Cllr Makua MJ  
Cllr Mashabela MN  
Cllr Ngwatta TJ  
Cllr Mahlakhwana ME  
Cllr Lentsoana SA  
Cllr Malapane SS  
Cllr Makofane IT  
Cllr Mashile MD  
Cllr Makgopa IK  
Cllr Moagi SP  
Cllr Makola JV  
Cllr Mnisi HD  
Cllr Mamokgopa LD  
Cllr Molapo WS  
Cllr Seroka MC  
Cllr Madire ND  
Cllr Manale RE  
Cllr Radingwane TM  
Cllr Mokgalaka CR  
Cllr Mphogo KD  
Cllr Mohlala BJ  
Cllr Molapo TI  
Cllr Thwala CS  
Cllr Makofane NN  
Cllr Mohubedu PS  
Cllr Riba MR  
Cllr Selepe ME  
Cllr Kgoete MJ  
Cllr Mnisi FG  
Cllr Maruga TT  
Cllr Moropane TA  
Cllr Lewele MB

**Grading of local authority**

Grade 4

**Chief Finance Officer (CFO)**

Magoma MD

**Accounting Officer**

Magooa RM

**Registered office**

Fetakgomo Tubatse Local Municipality  
1 Kastania Street

## **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### **General Information**

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	Burgersfort
<b>Business address</b>	1 Kastania Street Burgersfort 1150
<b>Postal address</b>	P. O. Box 206 Burgersfort 1150
<b>Bankers</b>	Standard Bank Burgersfort
<b>Auditors</b>	Auditor General South Africa
<b>Municipality number</b>	Lim 476
<b>Attorneys</b>	Noko Maimela Incorporated Verveen Attorneys Mphokane Attorneys Machaba Inc ML Matema Inc Kgohlisa a Mamabolo Kgororeadira Mudau Mmakola Attorneys Rachoeane Attorneys Mahowa Inc

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Index**

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The reports and statements set out below comprise the unaudited annual financial statements presented to the provincial legislature:

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	5
Audit Committee Report	6
Report of the Auditor General	7
Accounting Officer's Report	8 - 10
Statement of Financial Position	11
Statement of Financial Performance	12
Statement of Changes in Net Assets	13
Cash Flow Statement	14
Statement of Comparison of Budget and Actual Amounts	15 - 16
Accounting Policies	17 - 40
Notes to the Unaudited Annual Financial Statements	41 - 97
Appendixes:	
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	98

COLD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EPWP	Expanded Public Works Programme

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the unaudited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to June 30, 2019 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's unaudited annual financial statements. The unaudited annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The unaudited annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the on June 30, 2019 and were signed on its behalf by:



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**MAGOOA RM**  
Accounting Officer

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Audit Committee Report**

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We are pleased to present our report for the financial year ended 30 June 2019.

#### **Audit committee members and attendance**

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference.

During the current year five (05) meetings were held. The attendance of the audit committee meetings was as follows.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr Mpjane J.N CA (SA) (Chairperson)	5
Adv. Malatji T.M. (Member)	4
Mr Simeiane S. CA (SA) (Member and Chairperson of Risk Committee)	3
Mr Semenya C.C. CA (SA) (Member)	5

#### **Audit committee responsibility**

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Audit committee reports for all four quarters of the financial year ended 30 June 2019 were submitted and approved by council on the 28<sup>th</sup> of June 2019.

#### **The effectiveness of internal control**

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was fairly efficient and effective.

#### **Evaluation of annual financial statements, Risk Management & Performance Management**

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be submitted to the Auditor-General South Africa for external audit with the Accounting Officer and senior management of the municipality;
- reviewed the prior year Auditor-General of South Africa's management report and management's response thereto and discussed the progress on implementation of the management's remedial action plans on a quarterly basis for the year ended 30 June 2019;
- reviewed the risk management registers and progress report for implementation of the action plans for all four quarters of the financial year ended 30 June 2019 and is satisfied with the functionality of the risk management committee and the risk management unit of the municipality;
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed the quarterly performance management reports and annual performance report for the year ended 30 June 2019 and discussed the reports with management on a quarterly basis.

The audit committee concur with and accept the annual financial statements, of the municipality presented for external audit and are of the opinion that the unaudited annual financial statements should be accepted and should be read together with the report of the Auditor-General of South Africa after completion of the external audit.

#### **Internal audit**

The audit committee is not satisfied that the internal audit function is operating effectively and that it has addressed all the risks pertinent to the municipality. The committee noted that some of Internal Audit audits were not implemented due to lack of capacity.



Chairperson of the Audit Committee  
Mr J.N Mpjane CA (SA) RA  
30 August 2019





## **Report of the Auditor General**

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**To the Provincial Legislature of Fetakgomo Tubatse Local Municipality**

**Auditor General South Africa**

**March 31, 2019**

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Officer's Report**

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The Accounting Officer submits her report for the year ended June 30, 2019.

### **1. Review of activities**

#### **Main business and operations**

The Municipality is engaged in municipal activities such as rates, refuse and other services and operates principally in Burgersfort, South Africa.

Net surplus of the municipality was 38,898,522 (2018: deficit 277,303,139).

### **2. Going concern**

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations for the municipality

### **3. Subsequent events**

The Accounting Officer is not aware of any matter or circumstance arising since the end of the year.

### **4. Accounting policies**

The unaudited annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### **5. Accounting Officer**

The Accounting Officer of the municipality during the 12 months and to the date of this report is as follows:

<b>Name</b>	<b>Nationality</b>	<b>Changes</b>
Ntshudisane MJ	RSA	Appointed on 1 April 2019 to 30 June 2019
Gabaganenwe L	RSA	Appointed on 15 November 2018 to 1 April 2019
Busane NP	RSA	Appointed on 1 April 2018 to 15 November 2018

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Officer's Report**

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### **6. Corporate governance**

#### **General**

The Accounting Officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

#### **Councillors**

The Councillors:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising:
  - Mayor
  - Speaker
  - Councillors.

#### **Mayor and Municipal Manager**

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and Mayor perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

#### **Audit Committee meetings**

The Audit Committee has met on 3 separate occasions during the financial period. The Audit Committee schedules to meet at least 4 times per annum.

#### **Audit committee**

During the period the audit committee was composed as follows:

1. Mr Joseph Nakedi Mpjane (Chairperson of the Audit and Performance Committee)
2. Mr Siyakhula Simelane ( Member of the Audit and Performance committee and also Chairperson of the Risk Committee)
3. Adv Tebogo Martin Malatji ( Member of the Audit and Performance Committee)
4. Mr Choene Charles Semanya ( Member of the Audit and Performance Committee).

#### **Internal audit**

The municipality had its own internal audit function for the financial year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

### **7. Bankers**

The municipality banks primarily with Standard Bank.

### **8. Auditors**

Auditor General South Africa will continue in office for the next financial period.

## **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### **Accounting Officer's Report**

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**MAGOOA RM**  
Accounting Officer

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Statement of Financial Position as at June 30, 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
Current Assets			
Inventories	10	372,821	813,044
Receivables from exchange transactions	11	1,592,390	1,350,214
Receivables from non-exchange transactions	12	8,365,407	493,478
VAT receivable	13	9,458,812	39,986,096
Consumer debtors from exchange transactions	14	13,195,777	9,345,687
Consumer debtors from non exchange transactions	14	71,569,123	55,281,175
Cash and cash equivalents	15	94,948,299	3,609,379
		<b>199,502,629</b>	<b>110,879,073</b>
Non-Current Assets			
Investment property	3	15,320,000	14,260,000
Property, plant and equipment	4	2,189,316,553	2,247,148,734
Intangible assets	5	32,900	72,546
Heritage assets	6	1,068,300	1,068,300
		<b>2,205,737,753</b>	<b>2,262,547,580</b>
<b>Total Assets</b>		<b>2,405,240,382</b>	<b>2,373,426,653</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	18	1,081,903	1,079,902
Finance lease obligation	16	-	18,397
Operating lease liability	7	8,312,353	5,080,580
Payables from exchange transactions	20	83,293,685	147,217,083
Unspent conditional grants and receipts	17	142,439,357	80,000,000
Provisions	19	13,996,295	14,023,723
		<b>249,123,593</b>	<b>247,419,665</b>
Non-Current Liabilities			
Other financial liabilities	18	10,606,626	11,715,060
Operating lease liability	7	-	9,101,307
Employee benefit obligation	8	28,281,927	27,244,120
Provisions	19	16,365,808	15,982,591
		<b>55,254,361</b>	<b>64,043,078</b>
<b>Total Liabilities</b>		<b>304,377,954</b>	<b>311,462,743</b>
<b>Net Assets</b>		<b>2,100,862,428</b>	<b>2,061,963,910</b>
Accumulated surplus		2,100,862,428	2,061,963,910

\* See Note 47 & 46

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	22	26,614,062	17,852,067
Rental of facilities and equipment	23	322,432	347,964
Interest received (trading)		300,533	134,844
Licences and permits	25	7,321,229	10,456,806
Fees earned		620,322	452,592
Rental income		28,635	26,476
Other income	26	8,420,119	6,049,963
Interest received - investment	27	2,216,184	11,936,274
Fair value adjustments		1,060,000	-
<b>Total revenue from exchange transactions</b>		<b>46,903,516</b>	<b>47,256,986</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	28	115,663,475	129,495,292
Property rates - penalties imposed	28	24,172,187	19,445,730
<b>Transfer revenue</b>			
Government grants & subsidies	30	421,268,210	429,294,679
Traffic fines	24	3,175,494	2,487,728
<b>Total revenue from non-exchange transactions</b>		<b>564,279,366</b>	<b>580,723,429</b>
<b>Total revenue</b>	21	<b>611,182,882</b>	<b>627,980,415</b>
<b>Expenditure</b>			
Employee related costs	31	(171,091,926)	(165,691,302)
Remuneration of councillors	32	(31,419,072)	(29,636,730)
Depreciation and amortisation	33	(118,921,366)	(114,125,306)
Finance costs	35	(907,237)	(1,209,773)
Lease rentals on operating lease		(18,906,822)	(17,009,045)
Debt Impairment / (Reversal of Impairment)	36	(72,000,825)	(63,882,655)
Collection costs		-	(742,235)
Contracted services	37	(57,279,957)	(50,758,060)
Transfers and Subsidies	29	(7,347,511)	(8,086,807)
Other financial assets written off	39	-	(243,169,120)
Fair value adjustments		-	(4,690,000)
Inventories losses/write-downs		(514,623)	(534,537)
Loss on non-current assets held for sale or disposal groups		(557)	(205,856)
General Expenses	38	(95,894,464)	(205,542,128)
<b>Total expenditure</b>		<b>(572,284,360)</b>	<b>(905,283,554)</b>
<b>Surplus (deficit) for the year</b>		<b>38,898,522</b>	<b>(277,303,139)</b>

The accounting policies on pages 17 to 40 and the notes on pages 41 to 97 form an integral part of the unaudited annual financial statements.

\* See Note 47 & 46

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2,454,305,390	2,454,305,390
Adjustments		
Correction of errors (Refer to Note 46)	(115,038,341)	(115,038,341)
<b>Balance at July 1, 2017 as restated*</b>	<b>2,339,267,049</b>	<b>2,339,267,049</b>
Changes in net assets		
Deficit for the year	(277,303,139)	(277,303,139)
Total changes	(277,303,139)	(277,303,139)
<b>Restated* Balance at July 1, 2018</b>	<b>2,061,963,906</b>	<b>2,061,963,906</b>
Changes in net assets		
Surplus for the year	38,898,522	38,898,522
Total changes	38,898,522	38,898,522
<b>Balance at June 30, 2019</b>	<b>2,100,862,428</b>	<b>2,100,862,428</b>

Note(s)

\* See Note 47 & 46

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		186,386,283	184,069,528
Government Grant and subsidies		483,366,700	429,294,679
Interest income		300,533	12,071,118
		<b>670,053,516</b>	<b>625,435,325</b>
<b>Payments</b>			
Employee costs		(202,510,998)	(197,437,962)
Suppliers		(311,996,957)	(419,233,204)
Finance costs		(906,914)	(1,212,773)
		<b>(515,414,869)</b>	<b>(617,883,939)</b>
<b>Net cash flows from operating activities</b>	<b>42</b>	<b>154,638,647</b>	<b>7,551,386</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(63,281,007)	(206,549,611)
Proceeds from sale of property, plant and equipment	4	-	-
<b>Net cash flows from Investing activities</b>		<b>(63,281,007)</b>	<b>(206,549,611)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		-	-
Finance lease payments		(18,720)	(1,539,240)
<b>Net cash flows from financing activities</b>		<b>(18,720)</b>	<b>(1,539,240)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>91,338,920</b>	<b>(200,537,465)</b>
Cash and cash equivalents at the beginning of the year		3,609,379	204,146,844
<b>Cash and cash equivalents at the end of the year</b>	<b>15</b>	<b>94,948,299</b>	<b>3,609,379</b>

\* See Note 47 & 46



# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Comparison of Budget and Actual Amounts

#### Revenue

##### Revenue

Service charges	11,683,188	9,823,171	21,506,359	26,614,062	5,107,703	N1
Rental of facilities and equipment	632,476	(244,500)	387,976	322,432	(65,544)	N2
Interest received (trading)	-	-	-	300,533	300,533	
Licences and permits	17,728,446	-	17,728,446	7,292,474	(10,435,972)	N3
Fees earned	280,632	-	280,632	620,322	339,690	
Rental income	28,635	-	28,635	28,635	-	N4
Other income	2,236,130	(681,824)	1,554,306	6,430,570	4,876,264	N5
Interest received - investment	12,209,920	(11,278,360)	931,560	2,216,184	1,284,624	N6
<b>Total revenue from exchange transactions</b>	<b>44,799,427</b>	<b>(2,381,513)</b>	<b>42,417,914</b>	<b>43,825,212</b>	<b>1,407,298</b>	

#### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	131,287,678	-	131,287,678	122,342,872	(8,944,806)	N7
Property rates - penalties imposed	26,151,753	-	26,151,753	24,172,187	(1,979,566)	N8

##### Transfer revenue

Government grants & subsidies	465,301,000	18,065,700	483,366,700	421,268,210	(62,098,490)	N9
Fines, Penalties and Forfeits	2,532,982	7,000	2,539,982	2,651,844	111,862	N10

<b>Total revenue from non-exchange transactions</b>	<b>625,273,413</b>	<b>18,072,700</b>	<b>643,346,113</b>	<b>570,435,113</b>	<b>(72,911,000)</b>	
<b>Total revenue</b>	<b>670,072,840</b>	<b>15,691,187</b>	<b>685,764,027</b>	<b>614,260,325</b>	<b>(71,503,702)</b>	

#### Expenditure

Personnel	(180,511,474)	(30,964,893)	(211,476,367)	(166,486,593)	44,989,774	N11
Remuneration of councillors	(31,624,976)	-	(31,624,976)	(31,419,072)	205,904	N12
Depreciation and amortisation	(68,759,000)	10,705,320	(58,053,680)	(116,921,366)	(58,867,688)	N13
Finance costs	(2,174,725)	(175,275)	(2,350,000)	(907,237)	1,442,763	N14
Lease rentals on operating lease	(17,800,000)	4,998,799	(12,801,201)	(18,906,822)	(6,105,621)	
Debt impairment	(47,767,796)	-	(47,767,796)	(72,000,825)	(24,233,029)	N15
Contracted Services	(130,374,208)	17,715,561	(112,658,647)	(55,796,629)	66,862,018	N16
Transfers and Subsidies	(5,000,000)	(2,778,226)	(7,778,226)	(7,242,534)	635,692	N17
General Expenses	(95,781,695)	38,748,997	(57,032,698)	(87,754,969)	(30,722,271)	N18
<b>Total expenditure</b>	<b>(579,793,874)</b>	<b>38,250,283</b>	<b>(541,543,591)</b>	<b>(557,436,047)</b>	<b>(15,892,456)</b>	

<b>Operating surplus</b>	<b>90,278,966</b>	<b>53,941,470</b>	<b>144,220,436</b>	<b>56,824,278</b>	<b>(87,396,158)</b>	
Fair value adjustments	-	-	-	1,060,000	1,060,000	
Inventories losses/write-downs	-	-	-	(514,623)	(514,623)	
Loss on non-current assets held for sale or disposal groups	-	-	-	(557)	(557)	
	-	-	-	<b>544,820</b>	<b>544,820</b>	

<b>Surplus before taxation</b>	<b>90,278,966</b>	<b>53,941,470</b>	<b>144,220,436</b>	<b>57,369,098</b>	<b>(86,861,338)</b>	
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# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Statement of Comparison of Budget and Actual Amounts

### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>90,278,966</b>	<b>53,941,470</b>	<b>144,220,436</b>	<b>57,369,098</b>	<b>(86,851,338)</b>	

N1 - The 24% difference is due to under budgeting of service charges during the 2018/19 financial year.

N2 - The 17% difference is due to some properties earmarked for generating revenue not been functional during the 2018/19 financial year.

N3 - The 59% difference is due to the ongoing construction of the Praktiseer Licensing centre resulting in under-collection of licensing and permits revenue.

N4 - Below 10% norm

N5 - The 138% difference is due to the municipality investing conditional grants in a call account yielding high interest.

N6 - Below 10% norm.

N7 - Below 10% norm.

N8 - The 13% difference is due to the internal reticulation grant been received during March, as a result the grant was not spent resulting in grant revenue not been recognised.

N9 - Below 10% norm

N10 - The 21% difference is due to salary parity and job placement not been implemented during the 2018/19 financial year.

N11 - Below 10% norm.

N12 - The 101% difference is due to depreciation being under-budgeted for during the 2018/19 financial year.

N13 - The 61% difference is due to finance costs been over-budgeted for during the 2018/19 financial year.

N14 - The 51% difference is due to a 50% amnesty given debtors with long outstanding balances resulting in debt impairment increasing.

N16 - The 50% difference is due to the municipality facing cash flow crisis which resulted in the operational expenditure being suspended.

N17 - Below the 10% norm

N18 - The 54% difference is due to the municipality facing cash flow crisis which resulted in the operational expenditure being suspended.

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Policies**

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### **1. Presentation of Unaudited Annual Financial Statements**

The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited annual financial statements, are disclosed below.

#### **1.1 Presentation currency**

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Significant judgements and sources of estimation uncertainty**

In preparing the unaudited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited annual financial statements. Significant judgements include:

##### **Trade receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Impairment of Consumer and other receivables

The calculation in respect of the impairment of debtors is based on the municipality's approved policy on calculation of doubtful debts. In accordance with GRAP 104 (Financial Instruments), an objective assessment of financial assets is made at year end to determine possible impairment. Impairment loss is recognised as an expense in the Statement of Financial Performance. The determination of the impairment loss is guided by the following principles as per GRAP 104. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. (Individual Debtors' balances that constitute at least 5 percent of the total debtors book are considered to be individually significant by the municipality).

Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment. As soon as information becomes available that specifically identifies losses on individually impaired assets in a group (that are collectively assessed for impairment), those assets are removed from the group and assessed individually for impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are grouped together. The credit risk characteristics should be indicative of the debtors' ability to pay all amounts due according to the contractual terms.

The method used in determining the group of assets to be assessed for impairment, is a grading process that considers the:

- Debtor type
- Industry
- Past due status (e.g. days/months that the accounts are in arrears)

Consumer debtors are evaluated at the end of the reporting date and impaired as follows:

Debtor type	Percentage of debt provided for as irrecoverable
Negative amounts	0%
Current balances	0%
30 to 90 days	50%
More than 90 days	100%
Business and Industrial - always pay	0%
Mines - always pay	0%
Indigent Debtors	100%
Municipal	0%
Handed over	100%

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

#### Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio has either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Policies**

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### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **Depreciation and carrying value of items of property, plant and equipment**

The estimation of the useful lives of assets is based on management's judgment. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

### **1.3 Investment property**

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### **Fair value**

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

### **1.4 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30
Emergency equipment	Straight line	5-10
Refuse Tankers	Straight line	5-10
Furniture and fixtures	Straight line	5-10
Motor vehicles	Straight line	7-10
Office equipment	Straight line	5-7
IT equipment	Straight line	5
Infrastructure	Straight line	5-200
• Roads and stormwater		5-150
• Refuse		20-50
• Buildings		20-100

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# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

Other property, plant and equipment	Straight line	2-100
• Specialist vehicles		10-35
• Other vehicles		5-30
• Office furniture		3-15
Other property, plant and equipment	Straight line	
• Specialist vehicles	2-100	
• Other vehicles	5-30	
• Bins and containers	5-15	
• Specialist plant and equipment	5-35	
• Other plant and equipment	2-25	
• Landfill sites	20-100	
• Quarries	20-100	

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.5 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An Intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale,
- there is an intention to complete and use or sell it,
- there is an ability to use or sell it,
- It will generate probable future economic benefits or service potential,
- there are available technical, financial and other resources to complete the development and to use or sell the asset,
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-10 years

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The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the unaudited annual financial statements.



# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Policies**

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### **1.6 Heritage assets (continued)**

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### **1.7 Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.7 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.7 Financial instruments (continued)

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

### 1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Policies**

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### **1.8 Leases (continued)**

#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### **Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.9 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### **1.10 Impairment of cash-generating assets**

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Policies**

---

### **1.10 Impairment of cash-generating assets (continued)**

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

### **Reversal of Impairment loss**

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### **1.11 Impairment of non-cash-generating assets**

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Policies**

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### **1.11 Impairment of non-cash-generating assets (continued)**

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

#### **Designation**

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

#### **Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.11 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### 1.12 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.



# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Other long-term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The cost for each employee is computed at each reporting date based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. On determining this liability due allowance is made for future salary increases. Actuarial gains and losses are recognised in full in the year they are incurred.

### 1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

## **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### **Accounting Policies**

---

#### **1.13 Provisions and contingencies (continued)**

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality

recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- In the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.14 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.15 Revenue

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

## **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### **Accounting Policies**

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#### **1.15 Revenue (continued)**

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.15 Revenue (continued)

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

#### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### 1.16 Service charges

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Policies**

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### **1.16 Service charges (continued)**

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

## **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### **Accounting Policies**

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#### **1.16 Service charges (continued)**

##### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Policies**

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### **1.16 Service charges (continued)**

#### **Bequests**

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

### **1.17 Borrowing costs**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.18 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.19 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.20 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.21 Irregular expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.



# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Policies**

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### **1.21 Irregular expenditure (continued)**

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.22 Investments**

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance

### **1.23 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### **1.24 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 8/11/2017 to 3/31/2018.

The budget for the economic entity includes all the entities approved budgets under its control.

The unaudited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### **1.25 Related parties**

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Accounting Policies**

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### **1.25 Related parties (continued)**

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

### **1.26 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### **1.27 Prior period error**

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

2019

2018

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 34: Separate Financial Statements</li> </ul>	April 1, 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue</li> </ul>	April 1, 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>Directive 7 (revised): The Application of Deemed Cost</li> </ul>	April 1, 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>Guideline: Guideline on Accounting for Landfill Sites</li> </ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>Guideline: Guideline on the Application of Materiality to Financial Statements</li> </ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges</li> </ul>	April 1, 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 104 (revised): Financial Instruments</li> </ul>	April 1, 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 35: Consolidated Financial Statements</li> </ul>	April 1, 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 36: Investments in Associates and Joint Ventures</li> </ul>	April 1, 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 37: Joint Arrangements</li> </ul>	April 1, 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 38: Disclosure of Interests in Other Entities</li> </ul>	April 1, 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme</li> </ul>	April 1, 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 110 (as amended 2016): Living and Non-living Resources</li> </ul>	April 1, 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements</li> </ul>	April 1, 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 7 (as revised 2010): Investments in Associates</li> </ul>	April 1, 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 8 (as revised 2010): Interests in Joint Ventures</li> </ul>	April 1, 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 18 (as amended 2016): Segment Reporting</li> </ul>	April 1, 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> <li>GRAP 20: Related parties</li> </ul>	April 1, 2019	Unlikely there will be a material impact

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

<b>2. New standards and interpretations (continued)</b>	April 1, 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	April 1, 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	April 1, 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	April 1, 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	April 1, 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	April 1, 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	April 1, 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	April 1, 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 1, 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	April 1, 2019	Unlikely there will be a material impact

# **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## **Notes to the Unaudited Annual Financial Statements**

Figures in Rand

### **3. Investment property**

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	15,320,000	-	15,320,000	14,260,000	-	14,260,000

### **Reconciliation of investment property - 2019**

	Opening balance	Fair value adjustments	Total
Investment property	14,260,000	1,060,000	15,320,000

### **Reconciliation of investment property - 2018**

	Opening balance	Prior period error adjustments	Total
Investment property	49,468,215	(35,228,215)	14,260,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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#### 3. Investment property (continued)

The fair values of investment property as measured or disclosed in the financial statements are based on a valuation by Stafford Leyds, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The determination of fair values was supported by market evidence, the location, type and condition of the property (land). The type of property, the zoning of the property, the location of the property, the highest and best use of the property and the size of the property are some of the factors that were taken into consideration when deciding on a correct valuation method. These are 3 basic valuation methods that were used in the valuation:

##### 1) Direct Sales Comparison Approach

With this approach, consideration is made for sales of similar properties and related market data by comparing their recent sales information.

##### 2) Income Capitalization Approach

This method entails the determination of the Net Annual Income for the subject property, which is then capitalized at an appropriate market related capitalization rate.

##### 3) The Cost Approach

This approach calculates the current cost of replacing an asset less deductions for physical deterioration. The market value of the land as if unimproved is then determined and added to get the total value of the property.

General industry practice is considered because of the nature of certain properties or lack of comparable market data.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	133,493,831	-	133,493,831	133,493,831	-	133,493,831
Buildings	89,788,747	(28,578,032)	83,210,715	89,788,747	(23,237,973)	88,550,774
Plant and machinery	36,030,100	(8,841,334)	29,388,788	47,577,812	(13,816,152)	33,781,860
Furniture and fixtures	10,554,802	(8,458,221)	4,096,581	11,583,162	(6,703,556)	4,879,608
Motor vehicles	9,517,613	(5,022,328)	4,495,285	9,517,613	(3,701,021)	5,818,592
Office equipment	2,823,233	(1,675,439)	947,794	2,823,233	(1,595,785)	1,027,468
IT equipment	10,903,473	(8,502,923)	4,400,550	8,974,292	(4,120,441)	4,853,851
Infrastructure	2,485,782,368	(708,845,918)	1,778,936,450	2,450,822,979	(607,845,644)	1,842,977,335
Community	118,782,320	(46,305,207)	72,477,113	118,784,520	(43,063,660)	75,720,860
Work In Progress	97,975,979	-	97,975,979	75,888,304	-	75,888,304
Other assets	2,367,260	(473,571)	1,893,689	2,356,906	(180,253)	2,196,653
<b>Total</b>	<b>2,997,819,526</b>	<b>(808,502,973)</b>	<b>2,189,316,553</b>	<b>2,951,391,199</b>	<b>(704,244,485)</b>	<b>2,247,148,734</b>

# Fetakgomo Tubatse Local Municipality

(Registration number LIm 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Asset Gains	Reclassificati ons	Depreciation	Total
	133,493,631	-	-	-	-	-	-	133,493,631
Land	66,550,774	-	-	-	-	-	(3,340,059)	63,210,715
Buildings	33,761,660	19,301	(1,164)	-	1,306	-	(4,392,319)	29,366,766
Plant and machinery	4,679,606	157,373	(106,166)	-	127,636	-	(962,050)	4,096,561
Furniture and fixtures	5,816,592	-	-	-	-	-	(1,321,307)	4,495,265
Motor vehicles	1,027,468	130,599	(77,290)	-	231,999	-	(364,982)	947,794
Office equipment	4,653,851	1,321,615	(175,051)	-	96,302	-	(1,696,367)	4,400,550
IT equipment	1,642,977,335	-	(464,674)	35,671,918	-	-	(101,248,129)	1,776,936,450
Infrastructure	75,720,860	-	(557)	-	-	-	(3,243,190)	72,477,113
Community buildings	75,668,304	61,617,319	-	(35,671,918)	-	(3,637,726)	-	97,975,979
Work in progress	2,196,653	34,600	(24,246)	-	-	-	(313,318)	1,893,689
Other assets								
	2,247,146,734	63,281,007	(849,188)	-	457,447	(3,637,726)	(116,881,721)	2,189,316,553



# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Reclassificati on	Disposals	Transfers	Prior period error adjustments (68,908,860)	Other changes, movements	Depreciation	Total
Land	212,796,709	8,606,582	-	-	-	-	-	-	133,483,631
Buildings	64,056,460	-	-	-	-	2,518,613	-	-	66,550,774
Plant and machinery	19,276,174	-	16,781,584	(50)	-	-	(46,736)	(2,249,310)	33,761,680
Furniture and fixtures	5,439,716	399,454	-	(25,568)	-	-	-	(916,813)	4,878,606
Motor vehicles	10,933,114	14,099,339	(16,781,584)	(77,101)	-	(34,210)	-	(2,322,966)	5,616,692
Office equipment	1,204,533	120,480	-	(6,639)	-	-	-	(280,906)	1,027,466
IT equipment	4,426,361	2,059,812	-	(77,073)	-	-	-	(1,345,346)	4,853,851
Infrastructure	1,852,852,091	88,142,867	-	-	-	-	-	(99,140,771)	1,842,977,335
Community buildings	60,985,384	17,821,780	-	-	-	-	-	(4,036,912)	75,720,860
Work in progress	137,140,801	83,521,975	-	-	(144,794,472)	-	-	-	75,866,304
Other assets	1,404,716	1,063,689	-	(19,403)	-	-	-	(252,349)	2,196,653
	2,370,618,059	216,835,978	-	(205,854)	(144,794,472)	(86,426,257)	(46,738)	(110,555,473)	2,247,146,734

#### Reconciliation of Work-In-Progress 2019

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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### 4. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	224,093	(191,193)	32,900	224,093	(151,547)	72,546

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Intangible assets	72,546	(39,646)	32,900

#### Reconciliation of Intangible assets - 2018

	Opening balance	Transfers received	Amortisation	Total
Intangible assets	47,954	61,591	(36,999)	72,546

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 6. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	1,068,300	-	1,068,300	1,068,300	-	1,068,300

#### Reconciliation of heritage assets 2019

	Opening balance	Total
Art Collections, antiquities and exhibits	1,068,300	1,068,300

#### Reconciliation of heritage assets 2018

	Opening balance	Total
Art Collections, antiquities and exhibits	1,068,300	1,068,300

### 7. Operating lease asset (accrual)

	-	(9,101,307)
Non-current liabilities	(8,312,353)	(5,080,580)
Current liabilities		
	(8,312,353)	(14,181,887)

### 8. Employee benefit obligations

#### Defined benefit plan

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by -% for - months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>8. Employee benefit obligations (continued)</b>		
<b>The amounts recognised in the statement of financial position are as follows:</b>		
Carrying value	(27,244,120)	(24,637,311)
Present value of the defined benefit obligation-wholly unfunded	(2,589,181)	(2,337,248)
Current service cost	(2,801,916)	(2,401,268)
Interest cost	722,781	863,547
Benefits paid	3,630,509	1,268,160
Actuarial gains		
	<b>(28,281,927)</b>	<b>(27,244,120)</b>
<b>Net expense recognised in the statement of financial performance</b>		
	2,589,181	2,337,248
Current service cost	2,801,916	2,401,268
Interest cost	(3,630,509)	(1,288,180)
Actuarial (gains) losses	(722,781)	(863,547)
Settlement		
	<b>1,037,807</b>	<b>2,606,809</b>
<b>Calculation of actuarial gains and losses</b>		
	(4,353,290)	(2,131,707)
Actuarial (gains) losses – Obligation		

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 8. Employee benefit obligations (continued)

#### Key assumptions used

#### Valuation method

In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference to Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

Assumptions used at the reporting date:

Discount rates used	10.86 %	10.22 %
Medicel cost trend rates	8.66 %	8.52 %
Long term price inflation	7.18 %	7.02 %

It is the relative levels of the discount rate and health care cost inflation to one another that is important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average. GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting financial assumptions has been updated to be more duration specific. The discount rate was set by taking the average yields from the zero-coupon SA Government bond curve with a duration of between 15 and 20 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2019 is 10.86% per annum, and the yield on the inflation-linked bonds of a similar term was about 3.45% per annum, implying an underlying expectation of inflation of 6.54% per annum  $([1 + 10.86\%] / [1 + 3.45\%] - 1)$ .

A healthcare cost inflation rate of 8.66% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 2.02% per annum  $([1 + 10.86\%] / [1 + 8.66\%] - 1)$ . This year's valuation basis is, therefore, stronger than the previous year's basis from a discount rate perspective.

The effect of the major categories of plan assets is as follow: [state effect]

Salaries - Changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases: [provide details]

The basis on which the discount rate has been determined is as follow: [state basis]

The basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets, is as follows:

9. LONG SERVICE AWARD	30-Jun-2018	30-Jun-2019
Assumption		
Discount rate	0.09	0.10
CPI	0.06	0.08
Salary increase rate	0.07	0.08

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>9. LONG SERVICE AWARD (continued)</b>		
Net Discount Rate	0.02	0.03
<b>10. Inventories</b>		
	283	283
Land earmarked for sale or residential development	372,538	812,761
Consumables		
	<b>372,821</b>	<b>813,044</b>
<b>11. Receivables from exchange transactions</b>		
	255,347	13,170
Other receivables	1,337,043	1,337,043
Traffic licensing debtor		
	<b>1,592,390</b>	<b>1,350,213</b>
<b>12. Receivables from non-exchange transactions</b>		
	933,936	490,483
Traffic Fines	5,698,612	-
Staff debtors - recoveries	1,732,859	2,994
Other receivables		
	<b>8,365,407</b>	<b>493,477</b>
Included in receivables from non-exchange transactions is staff debtors of R5,698,612 in respect of municipal officials who participated in strike action, whereupon the "No Work No Pay Policy" was implemented to recover the days not worked from the officials.		
<b>13. VAT receivable</b>		
	9,458,812	39,986,096
VAT		
<b>14. Consumer debtors</b>		
Gross balances	126,267,622	220,619,279
Rates	65,156,102	50,711,271
Refuse	98,798,854	71,257,091
Other		
	<b>290,222,578</b>	<b>342,587,641</b>

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

	2019	2018
Figures in Rand		
<b>14. Consumer debtors (continued)</b>		
<b>Less: Allowance for impairment</b>	(74,373,045)	(178,389,960)
Rates	(51,960,326)	(41,385,589)
Refuse	(79,124,305)	(58,205,234)
Other		
	<b>(205,457,676)</b>	<b>(277,960,783)</b>
<b>Net balance</b>	51,894,577	42,229,319
Rates	13,195,776	9,345,682
Refuse	19,674,549	13,051,857
Other		
	<b>84,764,902</b>	<b>64,626,858</b>
<b>Included in above is receivables from exchange transactions</b>	12,150,994	9,345,682
Refuse		
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>	50,620,102	42,130,931
Rates	17,888,110	13,150,245
Other		
	<b>68,508,212</b>	<b>55,281,176</b>
<b>Net balance</b>	<b>80,659,206</b>	<b>64,626,858</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>14. Consumer debtors (continued)</b>		
<b>Rates</b>	10,192,862	23,282,226
Current (0 -30 days)	4,632,962	3,475,004
31 - 60 days	4,112,672	3,520,834
61 - 90 days	3,709,567	3,057,522
91 - 120 days	52,409,926	68,753,947
121 - 365 days	188,506,513	118,529,746
> 365 days		
	<b>263,564,502</b>	<b>220,619,279</b>
<b>Refuse</b>	1,942,178	2,132,196
Current (0 -30 days)	1,469,964	763,610
31 - 60 days	1,480,728	732,138
61 - 90 days	1,446,196	849,546
91 - 120 days	9,757,613	5,550,873
121 - 385 days	48,783,774	40,882,908
> 365 days		
	<b>64,880,451</b>	<b>50,711,271</b>
<b>Other (specify)</b>	3,402,970	5,585,941
Current (0 -30 days)	2,778,550	2,044,620
31 - 60 days	2,551,877	2,022,078
61 - 90 days	2,476,893	1,949,642
91 - 120 days	19,340,282	14,493,649
121 - 365 days	68,248,281	45,259,549
> 365 days		
	<b>98,798,853</b>	<b>71,355,479</b>



# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>14. Consumer debtors (continued)</b>		
Reconciliation of allowance for impairment	(277,960,783)	(230,990,818)
Balance at beginning of the year	(64,202,797)	(46,969,965)
Contributions to allowance		
	<b>(342,163,580)</b>	<b>(277,960,783)</b>

### Consumer debtors pledged as security

None of the consumer debtors were pledged as security.

### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

	18,672,627	3,530,631
Bank balances	76,275,672	78,748
Other cash and cash equivalents		
	<b>94,948,299</b>	<b>3,609,379</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	4,259,588	2,446,524	4,259,588	2,466,612
FNB BANK - CHEQUE ACCOUNT - 565-500-22466	80,697	78,758	80,703	78,751
FNB BANK - CALL ACCOUNT - 616-550-0887	-	944,137	-	944,137
STANDARD BANK - BUSINESS ACCOUNT - 030164532	-	139,967	-	187,485
STANDARD BANK - BUSINESS ACCOUNT - 330062891	76,194,979	-	76,194,979	-
STANDARD BANK - CALL ACCOUNT - 38578492001	7,161,897	1,320,302	7,161,897	-
STANDARD BANK - CURRENT ACCOUNT - 330062891000	6,014,811	-	6,014,811	-
STANDARD BANK - CURRENT ACCOUNT - 30144841000	294,597	-	294,597	-
STANDARD BANK - CURRENT ACCOUNT - 3016453000				
<b>Total</b>	<b>94,006,569</b>	<b>4,929,688</b>	<b>94,006,575</b>	<b>3,676,985</b>

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>16. Finance lease obligation</b>		
Minimum lease payments due	-	18,720
- within one year	-	18,720
	-	(323)
less: future finance charges		
Present value of minimum lease payments	-	18,397
Present value of minimum lease payments due	-	18,397
- within one year		

It is municipality policy to lease property, plant and equipment under finance leases.

The average lease term was 3-5 years and the average effective borrowing rate was 9% (2018: 9%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	163,989	-
FMG Grant	2,070,486	-
MIG Grant	89,968,182	80,000,000
INEP Electrification Grant	50,236,700	-
MWIG Grant		
	<b>142,439,357</b>	<b>80,000,000</b>

See note 30 for reconciliation of grants from National/Provincial Government.

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>18. Other financial liabilities</b>		
At amortised cost	10,916,093	11,717,165
DBSA LOAN 102904/1&2		
Loan 102904/1 - Interest bearing at a rate of 10.415% per annum over a loan of 20 years.		
Loan 102904/2 - Interest bearing at a rate of 5% per annum over a loan of 20 years.	772,437	1,077,797
DBSA LOAN 13585/102		
Loan 13585/102 - Interest bearing at a rate of 5% per annum over a loan of 20 years.		
<b>Total financial liabilities</b>	<b>11,688,530</b>	<b>12,794,962</b>
<b>Total other financial liabilities</b>	<b>11,688,530</b>	<b>12,794,962</b>
<b>Non-current liabilities</b>	<b>10,806,626</b>	<b>11,715,060</b>
At amortised cost		
<b>Current liabilities</b>	<b>1,081,903</b>	<b>1,079,902</b>
At amortised cost		

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018		
19. Provisions				
Reconciliation of provisions - 2019				
	Opening Balance	Movement	Utilised during the year	Total
	15,982,591	1,915,790	(1,532,573)	16,365,808
Environmental rehabilitation	14,023,723	(27,428)	-	13,996,295
Leave accrual				
	30,006,314	1,888,362	(1,532,573)	30,362,103
Reconciliation of provisions - 2018				
	Opening Balance	Additions	Prior Period Error	Total
	10,420,008	7,827,051	(2,264,468)	15,982,591
Environmental rehabilitation	11,190,742	2,832,981	-	14,023,723
Leave accrual				
	21,610,750	10,660,032	(2,264,468)	30,006,314
			16,365,808	15,982,591
Non-current liabilities			13,996,295	14,023,723
Current liabilities				
			30,362,103	30,006,314

### Environmental rehabilitation provision

The Fetakgomo Tubatse Municipality landfill site was closed in 2019 as it was full. R1 532 573 was spent towards the landfill rehabilitation and closure costs in 2019 and the provision was utilised for this purpose.

The Malogeng landfill site was donated by the Sekhukhune District Municipality to Fetakgomo Tubatse Municipality with the effective transfer date being 01 July 2018. The landfill rehabilitation and closure cost provision for this landfill site was determined by the actuaries to be R11 504 848 as at 30 June 2019.

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>20. Payables from exchange transactions</b>		
Trade payables	37,356,700	111,237,455
Unallocated receipts	1,067	400
Accrued bonus	4,224,656	4,106,752
Retention creditors	20,563,191	18,965,896
Other payables	14,298,299	6,056,788
Consumer debtors in credit	6,849,772	6,849,772
	<b>83,293,685</b>	<b>147,217,063</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>21. Revenue</b>		
Service charges	26,614,062	17,852,067
Rental of facilities and equipment	322,432	347,964
Interest received (trading)	300,533	134,844
Licences and permits	7,321,229	10,456,806
Fees earned	620,322	452,592
Rental income	28,635	26,476
Other income	8,420,119	6,049,963
Interest received - investment	2,216,184	11,936,274
Property rates	115,663,475	129,495,292
Property rates - penalties imposed	24,172,187	19,445,730
Government grants & subsidies	421,268,210	429,294,679
Fines, Penalties and Forfeits	3,175,494	2,487,728
	<b>610,122,882</b>	<b>627,980,416</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	26,614,062	17,852,067
Rental of facilities and equipment	322,432	347,964
Interest received (trading)	300,533	134,844
Licences and permits	7,321,229	10,456,806
Fees earned	620,322	452,592
Rental income	28,635	26,476
Other income	8,420,119	6,049,963
Interest received - investment	2,216,184	11,936,274
	<b>45,843,516</b>	<b>47,256,986</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>21. Revenue (continued)</b>		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue	115,663,475	129,495,292
Property rates	24,172,187	19,445,730
Property rates - penalties imposed		
Transfer revenue	421,268,210	429,294,679
Government grants & subsidies	3,175,494	2,487,728
Fines, Penalties and Forfeits		
	<b>564,279,366</b>	<b>580,723,429</b>
<b>22. Service charges</b>		
Refuse removal	26,614,062	17,852,067

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>23. Rental of facilities and equipment</b>		
Premises	322,432	347,964
Premises		
<b>24. Fines, Penalties and Forfeits</b>		
Municipal Traffic Fines	3,175,494	2,487,728
<b>25. Licences and permits (exchange)</b>		
Road and Transport	7,321,229	10,456,806
<b>26. Other income</b>		
Outdoor Advertisement	-	48,096
Sundry Income	967,672	3,483,254
Donation Income - Asset Gains	1,149,813	2,518,813
Staff Recoveries	5,698,612	-
Donation in Kind	604,022	-
	<b>8,420,119</b>	<b>6,049,963</b>
<b>Donation in kind</b>		
Included in Other income is Donations in kind of R604 022 in respect of the remuneration of two officials who were seconded by COGHSTA and Provincial Treasury to provide support to the municipality. An equivalent amount is included as an expense to the municipality.		
<b>27. Investment revenue</b>		
Interest revenue	2,216,184	931,973
Bank	-	11,004,301
Interest on investment		
	<b>2,216,184</b>	<b>11,936,274</b>



# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>28. Property rates</b>		
<b>Rates received</b>		
Property rates	22,967,088	27,818,984
Commercial	26,630,587	28,031,898
State	16,415,916	17,646,256
Small holdings and farms	4,271,766	14,162,871
Industrial properties	5,346,536	4,028,231
Mining properties	40,031,582	37,807,052
	<b>115,663,475</b>	<b>129,495,292</b>
Property rates - penalties imposed	24,172,187	19,445,730
	<b>139,835,662</b>	<b>148,941,022</b>
<b>Valuations</b>		
Residential	2,998,592,000	2,998,592,000
Commercial	2,254,530,000	2,254,530,000
Government	131,026,000	131,026,000
Municipal	88,713,000	88,713,000
Small holdings and farms	1,847,941,000	1,847,941,000
Schools	798,085,000	798,085,000
Mines	676,680,000	676,680,000
Churches	18,440,000	18,440,000
	<b>8,814,007,000</b>	<b>8,814,007,000</b>

Valuations on land and buildings are performed every 4 years. The latest general valuation came into effect on 1 July 2016. Supplementary valuations are processed on a need basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied to property valuations to determine assessment rates. Rebates of 30% are granted to residential and state property owners.

Rates are levied on an annual basis and paid on monthly basis. Interest at prime plus 1% per annum and a collection fee of is levied on rates outstanding two months after due date.

## **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### **Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2019	2018
<b>29. Grants and subsidies paid</b>		
Other subsidies	7,347,511	8,086,807
Indigent Relief		

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>30. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	361,513,000	332,955,879
Municipal Demarcation Transitional Grant	-	4,566,200
EPWP	2,035,000	1,279,000
FMG	3,951,011	4,045,077
MSIG	1,055,000	-
LG Seta - Training	340,867	-
	<b>368,894,878</b>	<b>342,846,156</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	47,341,514	90,886,692
Integrated National Electrification Grant	5,031,818	-
	<b>52,373,332</b>	<b>90,886,692</b>
	<b>421,268,210</b>	<b>433,732,848</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly 100% subsidy for rates and refuse, which is funded from the grant.

### MDTG

Balance unspent at beginning of year	-	3,584,879
Current-year receipts	-	4,566,200
Conditions met - transferred to revenue	-	(4,566,200)
Balance returned to National Treasury	-	(3,584,879)
	-	-

Conditions still to be met - remain liabilities (see note 17).

### FMG

Balance unspent at beginning of year	-	77
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# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>30. Government grants and subsidies (continued)</b>		
Current-year receipts	4,115,000	4,045,000
Conditions met - transferred to revenue	(3,951,011)	(4,045,077)
	<b>163,989</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

### EPWP

Current-year receipts	2,035,000	1,279,000
Conditions met - transferred to revenue	(2,035,000)	(1,279,000)
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 17).

The grant is used for salaries of employees for the Extended Public Works Programme.

### MIG

Balance unspent at beginning of year	-	585,523
Current-year receipts	49,412,000	85,863,000
Conditions met - transferred to revenue	(47,341,514)	(85,863,000)
Current-year receipts	-	(585,523)
	<b>2,070,486</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 17).

This grant is for the implementation of projects approved by MIG.

### MSIG

Current-year receipts	1,055,000	-
Conditions met - transferred to revenue	(1,055,000)	-
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 17).

Provide explanations of conditions still to be met and other relevant information.

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>30. Government grants and subsidies (continued)</b>		
<b>INEP</b>		
	80,000,000	80,000,000
Balance unspent at beginning of year		
	15,000,000	-
Current-year receipts		
	(5,031,818)	-
Conditions met - transferred to revenue		
	89,968,182	80,000,000
Conditions still to be met - remain liabilities (see note 17).		
<b>Neighbourhood Development Grant</b>		
	-	8,544,000
Balance unspent at beginning of the year		
	-	(8,544,000)
Balance returned to Treasury		
	-	-
Conditions still to be met - remain liabilities (see note 17).		
<b>MWIG Grant</b>		
	50,236,700	-
Current-year receipts		
Conditions still to be met - remain liabilities (see note 17).		
Provide explanations of conditions still to be met and other relevant information.		

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Employee related costs</b>		
	104,863,095	103,415,054
Basic	8,357,658	6,665,727
Medical aid - company contributions	575,593	653,899
UIF	44,004	33,581
Industrial council levy	1,527,131	773,748
Skills development levy	505,317	4,374,760
Leave pay provision charge	76,173	58,800
Other short term costs	19,491,278	18,148,339
Defined contribution plans	1,221,246	698,712
Travel, motor car, accommodation, subsistence and other allowances	2,991,388	3,379,301
Overtime payments	207,783	74,364
Long-service bonus provision	6,243,152	3,355,745
13th Cheques	179,826	331,508
Acting allowances	18,546,490	16,326,363
Car allowance	1,691,080	1,388,406
Housing benefits and allowances	1,890,870	1,912,489
Telephone allowance	11,526	-
Other allowance	-	47,893
Standby allowance	4,668,316	4,052,615
Post Employment Health Care Benefit Current Cost		
	<b>171,091,926</b>	<b>165,691,302</b>
<b>Remuneration of Municipal Manager</b>		
	952,703	237,489
Annual Remuneration	49,170	-
Acting Allowance	-	221,185
Leave Pay	296,805	73,486
Car Allowance		

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Employee related costs (continued)</b>		
Telephone Allowance	29,645	7,411
Travel Claim	32,234	25,812
Subsistence Allowance	-	640
Remote Allowance	49,831	12,458
Refund	1,068	664
	<b>1,411,456</b>	<b>579,145</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	59,667	705,550
Acting Allowance	7,234	55,733
Telephone Allowance	2,450	29,400
Car Allowance	25,415	302,130
Travel Claim	29,659	3,813
Leave pay	86,313	-
Backpay	-	13,297
Refund	-	1,196
Remote Allowance	3,410	40,914
	<b>214,148</b>	<b>1,152,033</b>
<b>Remuneration of Deputy Chief Financial Officer</b>		
Annual Remuneration	470,395	908,260
Car Allowance	82,980	163,483
Telephone Allowance	14,923	29,400
Travel Claim	6,870	5,538
Subsistence Allowance	-	990
Bonus	77,229	77,229
Backpay	200,722	18,488

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Employee related costs (continued)</b>	<b>853,119</b>	<b>1,203,388</b>
<b>Director Regional Office</b>		
Annual Remuneration	627,621	103,223
Car Allowance	168,000	28,000
Housing Allowance	43,936	7,323
Travel Claim	35,728	3,324
Telephone Allowance	29,400	4,900
Remote Allowance	35,391	5,898
Bonus	47,311	-
	<b>987,387</b>	<b>152,668</b>



# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Employee related costs (continued)</b>		
<b>Remuneration of Corporate and Human Resources (Corporate Services)</b>		
Annual Remuneration	814,861	666,525
Housing Allowance	108,000	91,451
Car Allowance	180,000	116,646
Leave Pay	-	178,249
Telephone Allowance	29,400	24,500
Travel Claim	6,231	15,907
Subsistence Allowance	384	854
Backpay	-	17,561
Remote Allowance	46,438	23,219
Bonus	-	66,125
Refund	5,000	-
	<b>1,190,314</b>	<b>1,201,037</b>
<b>Remuneration of Community Services</b>		
Annual Remuneration	592,568	680,262
Car Allowance	-	172,734
Travel Claim	-	59,142
Subsistence Allowance	-	1,006
Telephone Allowance	19,600	22,050
Remote Allowance	23,594	39,172
Backpay	-	16,300
Acting Allowance	-	125,460
Refund	-	1,390
Leave Pay	-	173,665
	<b>635,762</b>	<b>1,291,181</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Employee related costs (continued)</b>		
<b>Remuneration of Director Technical Services</b>		
Annual Remuneration	690,772	670,971
Backpay	-	16,431
Housing Allowance	72,000	75,333
Car Allowance	72,000	87,000
Remote Allowance	70,782	-
Bonus	56,838	-
Travel Claim	7,625	7,225
Telephone	56,350	-
	<b>1,026,367</b>	<b>856,960</b>
<b>Remuneration of Director Economic and Planning</b>		
Annual Remuneration	551,919	283,368
Bonus	-	55,692
Car Allowance	233,381	41,667
Backpay	-	19,630
Telephone Allowance	29,400	12,250
Travel Claim	7,235	1,021
Housing Allowance	60,000	-
Leave Pay	-	152,295
Remote Allowance	-	13,979
Subsistence Allowance	-	976
Remote Allowance	35,391	-
	<b>917,326</b>	<b>580,878</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>31. Employee related costs (continued)</b>		
<b>Remuneration of Chief Operating Officer</b>		
	-	101,525
Reallocation Allowance		
<b>Remuneration of Director Development and Planning</b>		
	808,467	137,153
Annual Remuneration	70,000	22,528
Car Allowance	29,400	4,900
Telephone Allowance	8,400	6,469
Housing Allowance	14,401	-
Travel Claim	35,391	2,949
Remote Allowance	-	104,355
Leave Pay	-	70,113
Bonus		
	<b>966,059</b>	<b>348,467</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>32. Remuneration of councillors</b>		
Mayor	568,791	867,245
Chief Whip	529,019	660,611
Mayoral Committee Members	3,573,953	4,791,248
Speaker	517,147	701,930
Councillors	26,230,162	22,615,696
	<b>31,419,072</b>	<b>29,636,730</b>

#### In-kind benefits

The Mayor, Speaker and Chief Whip are full time and provided with office space and secretarial support at the cost of the Council.

The executive committee consists of full time and part time members.

The Mayor has the right of use of a municipal vehicle including a driver.

## **Fetakgomo Tubatse Local Municipality**

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### **Notes to the Unaudited Annual Financial Statements**

Figures in Rand	2019	2018
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#### **32. Remuneration of councillors (continued)**

##### **Remuneration of Mayor**

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>32. Remuneration of councillors (continued)</b>		
Car allowance	201,449	206,633
Cellphone allowance	40,800	40,800
Travel claim	18,439	-
Salary	604,348	619,811
Data Allowance	3,600	-
	<b>868,636</b>	<b>867,244</b>
<b>Remuneration of Speaker</b>		
Car allowance	82,641	165,282
Cellphone allowance	20,400	40,800
Travel claim	67,902	-
Salary	247,923	495,847
Data Allowance	1,800	-
	<b>420,666</b>	<b>701,929</b>
<b>Remuneration of Chief Whip</b>		
Car allowance	156,502	154,953
Cellphone allowance	40,800	40,800
Travel claim	34,074	-
Salary	469,507	464,858
Data Allowance	3,600	-
	<b>704,483</b>	<b>660,611</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>32. Remuneration of councillors (continued)</b>		
<b>Remuneration of Councillors</b>		
	5,592,963	3,719,217
Car allowance		
	2,702,452	2,316,717
Cellphone allowance		
	-	13,796
Acting allowance		
	3,336,898	2,607,144
Travel claim		
	16,778,889	15,882,574
Salary and allowances		
	34,736	-
Foreign Subsistence Allowance		
	264,723	-
Data Allowance		
	197,370	-
Backpay		
	28,908,031	24,539,448
<b>33. Depreciation and amortisation</b>		
	116,881,720	113,835,958
Property, plant and equipment		
	39,646	289,348
Intangible assets		
	116,921,366	114,125,306
<b>34. Impairment of assets</b>		
<b>35. Finance costs</b>		
	323	10,343
Finance leases		
	901,022	994,187
Current borrowings		
	5,892	205,243
Other interest paid		
	907,237	1,209,773

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>36. Debt impairment</b>		
Contributions to debt impairment provision	64,202,797	46,969,966
Traffic debtors written off	2,638,757	2,436,291
Bad debts written off	5,159,270	14,476,399
	<b>72,000,824</b>	<b>63,882,656</b>

## 37. Contracted services

### Presented previously

Cash Collection Costs	652,474	655,135
Specialist Services	4,712,057	6,734,023
Security and Other Contractors	51,877,468	43,368,902
<b>Outsourced Services</b>		
Catering Services	37,960	-
	<b>57,279,957</b>	<b>50,758,060</b>

### CONTRACTED SERVICES

	R	R
Cash collection costs	644 142	655 135
Eskom	4 692 057	2 252 992
Landfill site valuation	20 000	-
Township establishment	98 600	-
Personnel and labour	98 558	75 200
Legal fees	36 490	-
Security services	34 053 477	21 686 087
Accounting fees	3 768 917	1 786 522
Refuse collection	15 606 861	15 157 495
Catering Services		37 960



## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>38. General expenses</b>		
	231,000	241,500
Allowances traditional leaders		
	69,344	1,175,059
Advertisements		
	8,836,587	7,214,276
Auditors remuneration		
	309,477	474,405
Bank charges		
	17,232,350	14,678,644
Consulting and professional fees		
	291,919	1,326,066
Entertainment		
	399,773	2,375,859
Hire		
	1,156,104	2,463,781
Insurance		
	14,363,124	11,502,009
IT management		
	3,584,769	1,653,558
Promotions and sponsorships		
	3,930	427,245
Magazines, books and periodicals		
	105,997	1,858,538
EPWP - Implementation of grant		
	2,018,653	3,654,514
Fuel and oil		
	991,627	2,381,254
Printing and stationery		
	337,596	237,698
Protective clothing		
	2,400,045	96,972,554
Repairs and maintenance		
	146,941	63,203
Royalties and licence fees		
	120,890	347,662
Occupational health and safety		
	42,783	208,860
Employee wellness		
	2,096,399	97,048
Subscriptions and membership fees		
	2,511,859	2,743,940
Telephone and fax		
	434,927	2,163,877
Training		
	4,005,412	12,389,441
Travel - local		
	52,252	932,025
Skills development program		
	3,430,474	4,748,075
Special programs		
	4,486,000	6,047,086
Ward committee		

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>38. General expenses (continued)</b>		
Implementation of FMG grant	-	1,923
Hawker's fees	604,022	-
Other expenses	25,638,157	26,689,898
Rent of equipment and offices	(7,947)	472,130
	<b>95,894,464</b>	<b>205,542,128</b>
<b>39. Other financial assets</b>		
Impairment of VBS Investments	-	72,347,736
At the beginning of the year	-	160,000,000
Add: Capital invested during the year	-	10,909,282
Add: Interest earned during the year	-	(243,258,998)
Less: Provision impairment	-	-
	-	-
Full provision was made for the investments in VBS due to the bank being put under curatorship on 11 March 2018 and the subsequent liquidation of the bank, which makes the recoverability of the amounts invested highly unlikely.		
<b>40. Fair value adjustments</b>		
Investment property (Fair value model)	1,060,000	(4,690,000)
Other financial liabilities		
• Other financial assets (Held for trading)	-	-
• Fair value through profit or loss	-	-
	<b>1,060,000</b>	<b>(4,690,000)</b>
<b>41. Auditors' remuneration</b>		
Fees	8,836,587	6,374,398
Consulting	-	839,878
	<b>8,836,587</b>	<b>7,214,276</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>42. Cash generated from operations</b>		
Surplus (deficit)	38,898,522	(277,303,139)
<b>Adjustments for:</b>		
Depreciation and amortisation	116,921,366	114,125,306
	-	-
Fair value adjustments-investment property	-	4,690,000
Loss on disposal of assets	557	-
Asset gains	(1,060,000)	(2,518,613)
Finance costs - Finance leases	323	-
Finance costs	-	(1,212,773)
Debt impairment / (Reversal of Impairment)	72,000,825	(63,882,655)
Movements in operating lease assets and accruals	(5,869,534)	5,439,789
Movements in retirement benefit assets and liabilities	1,037,807	-
Actuarial gains/losses	355,789	1,268,160
Current service cost	-	(2,337,248)
Interest cost on employee benefits	-	(2,401,268)
Provision for leave	-	(2,832,981)
<b>Changes in working capital:</b>		
Inventories	440,223	590,776
Receivables from exchange transactions	(242,177)	511,493
Other receivables from non exchange transaction	(89,016,387)	(4,799,438)
Other receivables from non-exchange transactions	(7,871,930)	-
Payables from exchange transactions	(63,923,378)	796,462
VAT	30,527,284	7,008,909
Unspent conditional grants and receipts	82,439,357	(12,760,514)
Impairment of investments	-	243,169,120
	<b>154,638,647</b>	<b>7,551,386</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>43. Commitments</b>		
<b>Authorised capital expenditure not completed</b>		
<b>Already contracted for but not provided for</b>		
• Capital Expenditure	84,239,302	81,531,240
<b>Total capital commitments</b>	84,239,302	81,531,240
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Operational Expenditure	94,214,969	48,229,943
<b>Total operational commitments</b>	94,214,969	48,229,943
<b>This committed expenditure relates to plant and equipment and will be financed existing cash resources and grants.</b>		
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>	25,274,327	25,403,069
- within one year	-	25,274,327
- in second to fifth year inclusive		
	<b>25,274,327</b>	<b>50,677,396</b>

Fetakgomo Tubatse Local Municipality leases a building from Tubatse Properties (Pty) Ltd for a period of 10 years, effective from 1 July 2010. The lease payment is R877 800 per month with an annual escalation of 10%. No contingent rent is payable. The lease agreement is not renewable at the end of the lease term.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>44. Contingent Assets and Liabilities</b>		
Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.		
<b>Contingent assets</b>		
The municipality has taken legal action and is in the process of seeking to recover money that was paid to Mphaphuli Consulting (Pty) Ltd regarding the electrification of villages. The SIU has taken over the case and summons have been issued to Mphaphuli Consulting (Pty) Ltd.		
The possible financial exposure is R76 462 807.89		
<b>Contingent liabilities</b>		
The following are the Contingent liabilities assumed:		
Description	2019	2018
1. Mopicon Construction VS GTM. The Contractor (Mopicon Construction) was appointed to construct the Burgersfort Main Road which the contractor failed to do. He was eventually terminated for poor performance. The contractor then sued the Municipality for R2,000,000 for breach of contract. The possible financial exposure is R3,000,000.	3,000,000	3,000,000
2. Matladi Family Trust vs GTM and Developers. The Matladi Family Trust has interdicted development on the Leeuwvallei farm, which is mainly the CBD of Burgersfort Town. The implication is that all development projects in town will come to a halt. The possible financial exposure is R540,000.	540,000	-
3. Edward Baleni Property Consultants vs FLM. A dispute by Edward Baleni Property Consultants has been raised against the municipality to the value of R2,591,350 for failure to make payment for services rendered. The municipality denies any liability and has lodged a counterclaim for an amount paid for services not rendered. The financial exposure is R2,591,350.	2,591,350	2,591,000
4. Bernard Nchabeleng vs FLM. Mathibe Bernard Nchabeleng is claiming an amount of R590,000 against the municipality for land. The matter is still in progress. The possible financial exposure is R590,000	590,000	590,000
5. FM Maluleka Inc vs FRM. The municipality's legal representative is claiming for legal costs in the matter of Mphaphuli Consulting. The municipality disputes the claim and Maluleka served summons even before bill could be taxed.	878,494	878,494
6. Thwala vs. FTLM & Mokwatedi Tlou. The plaintiff has lodged a claim against the municipality due to an accident caused by the employee while in the line of duty. Thwala alleges that the employee was negligent. The possible financial exposure is R73,000.	73,000	-

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>44. Contingent Assets and Liabilities (continued)</b>		
7. CN Rabada vs FTLM. Former employee CN Rabada challenged the municipality's decision to dismiss her. The employee was awarded reinstatement and back pay of R1 482 652.84. The municipality has since appealed the decision. The possible financial exposure is R1 482 652.84.	1,482,653	-
8. Harlequinne Duck Properties vs. FTLM. The Plaintiff is suing the Municipality for delictual damages allegedly suffered as result of Municipal failure to comply with the agreement to exchange properties entered into around 2009 for the amount of R 29 000.000.00. The matter is at the exception stage of pleadings. The financial exposure is R29,000,000.	29,000,000	-
9. Loncon Developments (Pty) Ltd vs GTM. Loncon is suing the Municipality for failing to protect a land which was reserved for RDP Houses construction. The land was invaded by squatters. They are suing for specific performance i.e. for R89 million or alternatively availing land of the same value to them. The possible financial exposure is R89 000 000.	89,000,000	89,000,000
10. Thushanang Construction vs GTM. The municipality is sued for R615 000.00 by Thushanang Construction who claimed that the Municipal officials instructed him to proceed with the construction of Praktiseer Stadium and budget allocation was to follow later. When the budget allocation did not materialize, Thushanang Construction sued the municipality for incurring extra costs without reimbursement. The possible financial exposure is R614 919. The case was settled out of court by the municipality during the 2018/19 financial year.	-	615,000
11. Munsoft (Pty) Ltd vs GTM. The Greater Sekhukhune District Municipality appointed Munsoft (Pty) Ltd to assist local municipalities under its jurisdiction to compile annual financial statements. Munsoft alleges that it was asked to provide additional services by Greater Tubatse Municipality costing R3,000,000 which were not part of its mandate by the district municipality. The possible financial exposure is R3,000,000	3,000,000	-
12. Elizabeth J.A Joubert, Roelf Joubert vs GTM. The Joubert family members applied to have residents of Dresden evicted from their farm. The financial exposure is currently not possible to ascertain.	-	-
13. Puladitsela Consulting v GTM. The consultant was appointed by the GTM for planning, design and implementation of electrification on several villages within the GTM. They claim that the Municipality is using their designs for implementation of Operation Mabone. The claim amount is R95m. The possible exposure is R95,000,000.	95,000,000	95,000,000
14. Bawelile Consulting v GTM. Bawelile Consulted has applied to interdict the municipality from implementing the electrification programme in rural villages. The court has been asked to review the appointment of Volt Consulting Engineers using designs by Bawelile Consulting. The possible financial exposure is impossible to ascertain at this stage.	-	-

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>44. Contingent Assets and Liabilities (continued)</b>		
15. GTM vs Mosoma ON. The Municipality dismissed the former Supply Chain Manager sequel being fingered in the Mapotene Forensic report. He challenged his dismissal which was later confirmed by the arbitration. He has since approached the Labour Court on review to set aside his dismissal. The possible financial exposure is R1 319 798.	950,000	1,319,798
16. GTM v N.A Koko. Noko NA brought a review application in the labour court against the municipality. The review was dismissed and the respondent has since appealed the decision.	955,621	-
17. Sebesho Caiphus vs FTLM. The former mayoral driver is suing the municipality for unfair dismissal. The possible financial exposure is R754 706.	754,706	754,706
18. E.H Hassim vs FTLM. EH Hassim obtained a default judgment against the municipality due to an unsigned cession agreement made with main contractor. The municipality has settled the case during the 2018/19 financial year.	-	1,034,619
20. Mams Architecture v FTLM. The construction company breached its contract with the municipality by failing to rectify defects on the civic hall. As a result the municipality withheld a retention payment. The possible financial exposure is R157 604.	157,604	157,604
22. MS Mtomboti vs FTLM. MS Mtomboti was dismissed by the municipality for failing to disclose his criminal record when he was hired. He appealed his dismissal at the Labour Court and the municipality is opposing his appeal. The possible financial exposure could not be determined.	-	-
23. Mogodi RR & others vs FTLM. The employees are challenging the municipality for unfair labour practices as a result of placement of former GTM employees. The arbitration is on favour of the employees and the employer is bound to comply with the award. The possible financial exposure could not be determined.	-	-
24. Thamaga & others vs FTLM. Salary disparities affecting former Fetakgomo employees. The matter was referred to lawyers of the complainants to enforce, the Municipality appointed a law firm to defend the matter. The possible financial exposure could not be determined.	-	-
25. EPWP Contractors vs FTLM. Former employees whose contracts were not renewed by the municipality initiated arbitration processes against the municipality, arguing that their contracts should have been renewed. The commissioner ruled in their favour however the municipality is appealing the ruling. The possible financial exposure cannot be determined.	-	-
	<b>227,973,428</b>	<b>194,941,221</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>45. Related parties</b>		
<b>Relationships</b>		
Accounting Officer	Refer to Accounting Officer's report note	
Councillors	Refer to note 32	
Directors	Refer to note 31	
<p>The Directors and Councillors are related parties and their transactions are included in note 31 and 32. The municipality has various processes in place to identify and note any related party transactions. These processes range from disclosure by bidders on the bid documents (MBD4) to maintenance of a conflict of interest register. For councillors, the disclosure register is kept in the Office of the Speaker whilst for other senior managers it is kept by the Corporate Services Directorate.</p> <p>Councillors and Directors are related parties and their transactions are included in the notes to the financial statements.</p>		
<b>Compensation to accounting officer and other key management</b>		
Defined contribution plans	62,664	92,697

#### 46. Prior period errors

1. The 2018 inventory balance was not updated to reflect the results of the 2018 financial year end stock count, resulting in overstatement of inventory by R534,537 and surplus for the year by the same amount.

2. 2018 supplier invoices amounting to R1 253 775 were not accrued for in the 2017-18 financial year, and the post-year end payments to the suppliers were incorrectly processed against the accumulated surplus vote. This resulted in payables being understated by R1 253 775, Input VAT by R162 884 and operating expenditure by R1 090 891 during the 2018 financial year.



# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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### 46. Prior period errors (continued)

3. The municipality has written off land which it had no control of. Land was also transferred to investment property and land held for sale to inventory. Land belonging to the former Fetakgomo Municipality was written off. A correction journal was also processed to reverse an amount of R1 380 027 in the landfill site. The net effect on the prior year land balance is a reduction of R78 125 970.

4. A correction amounting to R125 942 was processed to adjust the amount of finance lease assets.

5. A Hino Horse and a trailer with a total amount of R1 767 046 were previously not recorded in the prior financial year were capitalised. Graders and a TLB with a total amount of R2 343 262 were written off. The net effect of the adjustments to Plant and equipment is R46 737.

6. Buildings donated by the Sekhukhune District Municipality amounting to R2 343 262 were previously not recorded in the fixed assets register. An adjustment of R2 343 262 was processed to record the buildings.

7. The DBSA loan balance and 2017 interest on loans were overstated by R62 441 as at 30 June 2019.

8. The EPWP unspent conditional grant liability balance from 2016 was set off against the 2017 equitable share but was not reversed in the financial records. The EPWP unspent conditional grant liability balance and accumulated surplus was therefore overstated by R46 037.

9. Properties amounting to R35 880 000 were incorrectly included in both the land and investment property registers in 2018. Furthermore, these properties do not meet the recognition criteria of investment property, thus investment property and accumulated surplus were overstated by R35 880 000.

10. 177

properties earmarked for residential development in Mucklenburg amounting to R6 170 000 were incorrectly included in the investment property register in 2018, therefore investment property was overstated by R6 170 000, accumulated surplus overstated by R6 6 169 823 and inventory understated by R177.

11. Previously derecognised investment property amounting to R15 300 000 per the 2017 investment property register were reinstated from accumulated surplus.

12. Previously unrecorded investment properties were fair valued as at 30 June 2018 resulting in a downward fair value adjustment of R4 690 000.

13. Unexplained adjustments amounting to R853 511 were processed against investment property in 2018 resulting in understatement of investment property and accumulated surplus by R853 511.

14. A 2018 supplier invoice amounting to R28 612 was not accrued for in the 2017-18 financial year. This resulted in payables being understated by R28 612, and operating expenditure by R28 612 during the 2018 financial year.

15. Long outstanding suspense balances amounting to R982 690 were written against accumulated surplus off with council resolution as investigations conducted could not establish how the balances arose.

16. The 2018 DBSA loan balance was overstated by R62 441 due to an incorrect interest calculation.

17. The EPWP conditional grant balance was overstated by R46 035 as this amount was set off against equitable share but the liability was not reversed.

18. Praktiseer Testing Centre and municipal staff house amounting to R898 060 were previously not recorded in the fixed asset register. An adjustment of R837 031 was processed to record the buildings.

19. Burgersfort ERF89, Park facilities amounting to R262 828,86 was previously not recorded in the Community Assets register. An adjustment of R837 031 was processed to record the park.

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
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#### 46. Prior period errors (continued)

20. Furniture and office equipment disposed through an auction during 2017-18 financial year was not recorded in the asset register. A total of R17 040 was processed to record the disposal.

21. An adjustment of R1 022 623 was processed to recognize the understatement of Apel Culverts transferred from WIP in the prior years.

22. Land amounting to R406 000 was duplicated in the ledger. An adjustment of R406 000 was recorded in the ledger.

23. An adjustment to reverse Malogeng Landfill site amount in the ledger was incorrectly recorded at R2 760 054 instead of R 1380 054. This resulted in the land balance understated by R1380 054. A prior period error journal amounting to R1380 054 was recorded to correct the error.

24. A Hino Horse was erroneously recorded in the asset register with the value of R42 000. The carrying amount of R34 209 was written off from the register and the correct amount was recorded under Plant and Machinery.

25. Net amount of R8 291 726 was incorrectly recorded in the Investment Property account instead of accumulated posting to accumulated surplus (-R13 412 509) and work in progress (R5 120 782). The correction in work in progress was subsequently made against the accumulated surplus in the prior year. This resulted in the amount recorded in investment property and accumulated surplus misstated by R8 291 726. A correcting journal was recorded as a prior year adjustment.

The correction of the error(s) results in adjustments as follows:

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>46. Prior period errors (continued)</b>		(982,689.70)
<b>Statement of financial position</b>		
Inventory	-	(534,254)
Payables from Exchange Transactions	-	(2,361,217)
Input VAT	-	162,884
Property, Plant and Equipment	-	(83,442,134)
Environmental rehabilitation provision	-	2,264,467
Other Financial Liabilities (OBSA loans)	-	62,441
Unspent Conditional Grants (EPWP)	-	46,037
Investment properties	-	(35,228,215)
Accumulated surplus	-	115,009,707
<b>Statement of financial performance</b>		
Inventory writedown/losses	-	537,534
General expenses	-	1,119,503
Finance costs	-	(62,441)
Fair value losses	-	(4,690,000)
Other income	-	(2,518,613)
Employee related costs	-	96,141
Depreciation and amortisation	-	132,021

#### 47. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

##### Statement of financial position

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand		2019	2018	
47. Prior-year adjustments (continued)				
2018				
	Note	As previously reported	Correction of error	Restated
	10	1,347,298	(534,265)	813,033
inventories		(144,855,842)	(2,361,217)	(146,109,621)
Payables from Exchange Transactions		39,823,212	162,884	39,986,096
VAT Receivable		49,488,215	(35,228,215)	14,260,000
Investment Property		2,330,588,364	(83,442,134)	2,247,146,230
Property, Plant and Equipment		(18,247,059)	2,264,487	(15,982,592)
Environmental rehabilitation provision		(12,857,403)	62,441	(12,794,962)
Other financial liabilities		(80,046,035)	46,035	(80,000,000)
Unspent Conditional Grants		(2,454,305,390)	115,038,341	(2,339,287,049)
Accumulated Surplus				
		(289,064,640)	(3,991,663)	(291,948,865)

### Statement of financial performance

**2018**

	<b>Note</b>	<b>As previously reported</b>	<b>Correction of error</b>	<b>Re-classification</b>	<b>Restated</b>
Employee related costs		165,595,162	96,141	-	165,691,303
Inventory losses/writedowns		-	534,537	-	534,537
Finance costs		1,212,774	(62,441)	59,440	1,209,773
Remuneration of Councillors		31,842,800	-	(2,206,070)	29,636,730
Depreciation		114,125,307	132,021	-	114,257,328
Other Income		(3,531,349)	(2,518,613)	-	(6,049,962)
Fair value losses		-	4,690,000	-	9,690,000
Repairs and maintenance		96,847,088	-	(96,847,088)	-
General expenditure		105,428,907	1,119,503	98,993,718	205,542,128
<b>Surplus for the year</b>		<b>511,520,689</b>	<b>3,991,148</b>	<b>-</b>	<b>520,511,837</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

#### 47. Prior-year adjustments (continued)

##### Reclassifications

The following reclassification adjustments occurred:

##### Repairs and maintenance and General expenses

The 2018 Repairs and Maintenance amount of R96,847,088 was removed from the face of the Statement of Financial Performance and reclassified as part of General expenses and accordingly disclosed in Note 36 (General Expenses). This is an effect of mSCOA on GRAP disclosure, which no longer requires Repairs and maintenance to be disclosed as a separate line item on the Statement of Financial Performance.

##### Cash and cash equivalents

A reclassification adjustment of R1,196,427 was processed from Other Cash and Cash Equivalents to Bank Balances to correct the misallocation of the amount between balances disclosed in the 2018 final audited annual financial statements.

##### Councillors' Remuneration and Travel Expenses

A reclassification adjustment of R2,206,070 was processed from Councillors' Remuneration to General Expenses (Travel - Local). This amount was incorrectly disclosed under Councillors' Remuneration in the 2018 final audited annual financial statements.

##### Finance Costs and Other Expenses

A reclassification adjustment of R59,440 for DBS loan interest was processed from General Expenses (Other Expenses) to Finance Costs. This amount was incorrectly disclosed under General Expenses in the 2018 final audited annual financial statements.

#### 48. Risk management

##### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

##### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 48. Risk management (continued)

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Receivables from exchange transactions	1,592,390	1,350,214
Receivables from non-exchange transactions	8,532,603	493,478
Consumer debtors	85,080,224	64,628,858
Cash and cash equivalents	140,297,843	3,809,379

#### Market risk

##### Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

### 49. Going concern

The unaudited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the Accounting Officer continue to procure funding for the ongoing operations for the municipality.

### 50. Unauthorised expenditure

Opening balance	300,893,769	3,221,843
Incurring current year	3,695,239	297,671,926
	<b>304,589,008</b>	<b>300,893,769</b>

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>51. Fruitless and wasteful expenditure</b>		
Opening balance	10,546,734	8,759,298
Incurred current year	113,969	1,787,436
Less: Amounts condoned	(10,546,734)	-
	<b>113,969</b>	<b>10,546,734</b>
<b>52. Irregular expenditure</b>		
Opening balance	191,408,404	114,103,302
Add: Irregular Expenditure - current year	76,981,839	77,305,102
Less: Amounts condoned	(191,408,404)	-
	<b>76,981,839</b>	<b>191,408,404</b>

### Analysis of expenditure awaiting condonation per age classification

#### Details of Irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Rastawoman	Currently under investigation	392,000
SLM Engineering	Currently under investigation	1,532,572
Popopo & sons/ Preservation Trading JV	Currently under investigation	4,660,783
Bauba Marumo Waste	Currently under investigation	2,138,532
Ingwe Waste Management	Currently under investigation	5,098,457
Reliable Accountants	Currently under investigation	1,118,928
Mok Development	Currently under investigation	536,220
Mabotwane Security Services	Currently under investigation	7,229,943
Mashcorp	Currently under investigation	1,933,774
Loge Construction	Currently under investigation	43,434,377
Simunye Fleet Management	Currently under investigation	2,039,993
		<b>76,981,839</b>

## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
<b>53. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Opening balance	6,416,084	7,509,462
Amount paid - current year	(2,644,502)	(7,509,462)
	<b>3,771,582</b>	<b>-</b>
<b>VAT receivable</b>		
Opening balance	-	46,995,006
Total claimed from SARS during the year	-	33,268,970
Total amount received during the year	-	(40,440,764)
	<b>-</b>	<b>39,823,212</b>
All VAT returns have been submitted by the due date throughout the year. The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.		
<b>SALGA Fees</b>		
Opening balance	2,011,579	2,011,814
Amount paid - current year	(2,011,579)	(2,011,814)
	<b>-</b>	<b>-</b>
<b>PAYE and UIF</b>		
Opening balance	28,860,610	11,089,603
Amount paid - current year	(28,860,610)	(11,089,603)
	<b>-</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	30,341,776	26,161,143
Amount paid - current year	(30,341,776)	(26,161,143)
	<b>-</b>	<b>-</b>



## Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

### Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

#### 53. Additional disclosure in terms of Municipal Finance Management Act (continued)

##### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding on June 30, 2019:

June 30, 2019	Outstanding more than 90 days		Total
Councillor MP Makine	9,181	-	9,181
Councillor IT Makofane	31,205	-	31,205
	<b>40,386</b>	<b>-</b>	<b>40,386</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

##### Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipality Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident	103,341	2,561,334
Emergency expenditures	627,835	51,816
Sole suppliers	150,573	647,574
Exceptional expenditures		
	<b>881,749</b>	<b>3,260,724</b>

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### 54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the unaudited annual financial statements.

Purpose	Appointed company	Reason	Amount
Fault finding and fixing all the distribution boxes at the municipal civic centre offices.	Segwata Trading and Projects (Pty) Ltd (3 quotations)	The procurement was urgent due to possible risk to life and infringement of property, natural environment or constitutional rights.	50,025
Repairs and maintenance of municipal Bell motor grader (CHF 638 L)	Bell (1 quotation)	Maintenance warranty	29,897
Class stationary material	Mindmuzik Media Pty (Ltd) (1 quotation)	Sole service provider	3,996
Printing and publication of building regulations as required by law.	Government Printing Works (1 quotation)	Sole service provider	36,821
Supply and installation of new software and cameras	Workshop Electronics (1 quotation)	Sole service provider	29,095
Annual renewal of OrgPlus software renewal	KIMRU-IT (1 quote)	Sole service provider	6,397
Printing and publication of building regulations as required by law	Government Printing Works (1 quotation)	Sole service provider	99,871
Repairs service and maintenance for Bell motor grader (DMR 433 L)	Bell (1 quotation)	Sole service provider	61,689
Repairs and maintenance of municipal CAT grader (CTK 048 L) including replacement after 2000 svc hours	CAT (1 quotation)	Sole service provider	93,958
Service of municipal Bell TLB (DTN 344 L)	Bell (1 quotation)	Sole service provider	12,697
Service & calibration of B grade vehicle testing equipment (Mabopo vehicle testing station)	Workshop Electronics (1 quotation)	Sole service provider	21,459
Collection of cash: February 2019	G4S (1 quotation)	Contract expiry	20,700
Collection of cash: March 2019	G4S (1 quotation)	Contract expiry	20,700
Replacement of Steelport Testing Station equipment s and calibration service	Workshop Electronics (1 quotation)	Sole manufacturer and supplier of Millitron devices already installed.	108,209

# Fetakgomo Tubatse Local Municipality

(Registration number Lim 476)

Unaudited Annual Financial Statements for the year ended June 30, 2019

## Notes to the Unaudited Annual Financial Statements

Figures in Rand		2019	2018
<b>54. Deviation from supply chain management regulations (continued)</b>			
Study material for Maduwana T	Van Schaik Bookstore (1 quotation)	The full package of the books can only be found at Van Schaik bookstore.	3,991
Repairs of Bell Motor grader (DMR 436 L)	Matladi Thabang Project (1 quotation)	The service was urgent since the service provider discovered additional problems with the grader while performing other repairs	53,316
Collection of cash : April 2019	G4S (1 quotation)	Contract expired	20,700
Calibration of three ProLaser speed machines	Truvelo Manufacturer (1 quote)	Sole provider	14,355
Caseware license	Caseware Africa	Sole service provider	68,232
Collection of cash: May 2019	G4S (1 quotation)	Contract expired	20,700
Service fee for mSCOA votes on Payday software	Payday Software (1 quotation)	Sole service provider	37,168
Collection of cash: May 2019	G4S Cash Solutions (1 quotation)	Contract expired	41,400
Supply and delivery of bags and envelopes	G4S Cash Solutions (1 quotation)	Contract expired	5,673
Collection of cash : June 2019	G4S Cash Solutions (1 quotation)	Contract expired	20,700
			<b>881,749</b>

**Fetakgomo Tubatse Local Municipality**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	Current year 2018 Act. Bal.	Current year 2018 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
<b>Revenue</b>					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	26,614,062	-	26,614,062	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	322,432	-	322,432	-	
Interest received (trading)	300,533	-	300,533	-	
Dividends received (trading)	-	-	-	-	
Agency services	-	-	-	-	
	-	-	-	-	
Licences and permits	7,321,229	-	7,321,229	-	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	620,322	-	620,322	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	28,635	-	28,635	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	8,420,119	-	8,420,119	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Other income 3	-	-	-	-	
Interest received - investment	2,216,184	-	2,216,184	-	
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	45,843,516	-	45,843,516	-	

**Fetakgomo Tubatse Local Municipality**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	Current year 2018 Act. Bal.	Current year 2018 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenses				
Personnel	(171,091,925)	-	(171,091,925)	-
Manufacturing -	-	-	-	-
Employee costs				
Remuneration of	(31,419,071)	-	(31,419,071)	-
councillors				
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(364,982)	-	(364,982)	-
Impairment	(116,516,737)	-	(116,516,737)	-
Amortisation	(39,646)	-	(39,646)	-
Impairments	-	-	-	-
Reversal of Impairments	-	-	-	-
Finance costs	(907,237)	-	(907,237)	-
Debt Impairment	(72,000,825)	-	(72,000,825)	-
Collection costs	-	-	-	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses				
Repairs and maintenance	(2,400,045)	-	(2,400,045)	-
- General				
Repairs and maintenance	-	-	-	-
- General				
Bulk purchases	-	-	-	-
Contracted Services	(57,279,957)	-	(57,279,957)	-
Transfers and Subsidies	(7,347,511)	-	(7,347,511)	-
Cost of housing sold	-	-	-	-
General Expenses	(112,401,242)	-	(112,401,242)	-
Other (taken out of	-	-	-	-
General expenses)				
Other (taken out of	-	-	-	-
General expenses)				
Other (taken out of	-	-	-	-
General expenses)				
Other (taken out of	-	-	-	-
General expenses)				
Other (taken out of	-	-	-	-
General expenses)				
	(571,769,178)	-	(571,769,178)	-
Other revenue and costs				
Gain or loss on disposal	-	-	-	-
of assets and liabilities				
Gain or loss on exchange	-	-	-	-
differences				
Fair value adjustments	1,060,000	-	1,060,000	-
Gains or losses on	-	-	-	-
biological assets and				
agricultural produce	-	-	-	-
Income from equity				
accounted investments				
Gain or loss on disposal	(557)	-	(557)	-
of non-current assets held				
for sale or disposal				
groups				

**Fetakgomo Tubatse Local Municipality**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	Current year 2018 Act. Bal.	Current year 2018 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	1,059,443	-	1,059,443	-
Net surplus/ (deficit) for the year	(524,866,219)	-	(524,866,219)	-